



STEPHEN J. BARRON, JR.

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

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**INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON
PROCEDURES TO THE COUNTY'S GOVERNMENT CENTER EXPANSION
PROJECT**

Members of the Northampton County Council
John Stoffa, County Executive
County of Northampton, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by the President of County Council, solely to assist you in evaluating the County's Government Center Expansion Project. The management of the County of Northampton is responsible for maintaining the financial records and monitoring the project. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

1. **Procedure:** Review the project background.

Finding: The Project was not adequately monitored by the County. No charts or schedules to monitor the progress of the project were maintained.

2. **Procedure:** Determine the original budgeted amounts for the project.

Finding: The original budget was allocated to the following categories: Construction, Construction Management, Architecture/Engineering, Furniture/Moving, and Miscellaneous & Contingency. See attached schedule for details.

3. **Procedure:** Determine the actual cost of the project to date.

Finding: The actual cost as of 5/19/08 was \$45,083,563 which is \$2,083,563 more than the original budget. However, interest earned on the bond proceeds also exceeded the original budget by \$1,244,449.

4. **Procedure:** Compare budgeted amounts to actual costs to determine where the project went over budget.

Finding: See attached schedule for details.

5. **Procedure:** Obtain explanations from management for the cost overruns.

Finding: Three contractors' costs exceeded their original contract amount by more than 10%. See attached schedule for explanations. Also, costs paid to the architect/engineer and construction manager were higher than anticipated because there was not a capped maximum amount written into their contracts.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the County's Government Center Courthouse Expansion Project. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County Executive and members of County Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Stephen J. Barron, Jr.", with a stylized, looping flourish extending from the end.

Stephen J. Barron, Jr.
County Controller

July 17, 2008

Courthouse Expansion Cost Analysis

	<u>Budget</u>	<u>Original Contract Amount</u>	<u>Paid as of 5/19/08</u>	<u>Balance Before Change Orders</u>	<u>Change Orders</u>	<u>Contract Balance</u>	<u>Budget Balance</u>
<u>CONSTRUCTION</u>							
Bean, Inc.		1,516,019.00	1,550,382.98	(34,363.98)	34,363.98	0.00	
S.A. Comunale Co., Inc.		468,800.00	421,929.27	46,870.73	(25,083.84)	21,786.89	
Orlando Diefenderfer EL (Plumbing)		785,587.00	752,374.85	33,212.15	(33,212.15)	0.00	
Orlando Diefenderfer EL (HVAC)		4,321,474.00	4,148,739.76	172,734.24	(171,156.24)	1,578.00	
Duggan & Marcon, Inc. (Tile Work)		998,300.00	1,044,713.63	(46,413.63)	46,513.63	100.00	
Duggan & Marcon, Inc. (Drywall/Carpentry)		7,799,010.00	7,758,422.38	40,587.62	(39,587.52)	1,000.10	
Dunmore Roofing & Supply Co., Inc.		1,479,000.00	2,384,469.79	1	(905,469.79)	906,069.79	600.00
Ebinger Iron Works, Inc.		556,000.00	634,203.00	1	(78,203.00)	78,303.00	100.00
Everon Electrical Contractors, Inc.		6,449,000.00	5,374,246.93	1,074,753.07	(1,021,273.35)	53,479.72	
Hutt's Glass		2,032,966.00	954,653.00	1,078,313.00	(1,058,313.00)	20,000.00	
Johnstown Welding & Fabrication, Inc.		1,808,900.00	1,776,268.08	32,631.92	(32,631.92)	0.00	
Madison Concrete Construction Co.		2,199,000.00	2,197,460.64	1,539.36	(1,039.36)	500.00	
Mazzocchi Wrecking		545,900.00	564,572.93	(18,672.93)	18,672.93	0.00	
Roth & Ellis, Inc.		1,640,000.00	1,641,592.46	(1,592.46)	1,592.46	0.00	
Thyssenkrupp Elevator Corp.		1,397,000.00	1,241,026.00	155,974.00	(64,686.96)	91,287.04	
Van Hawk Painting Company, Inc.		249,500.00	288,112.82	1	(38,612.82)	38,612.82	0.00
Total Construction	<u>32,950,000.00</u>		<u>32,733,168.52</u>				<u>216,831.48</u>
<u>CONSTRUCTION MANAGEMENT</u>							
Butz, Alvin H.		3,400,000.00	4,583,013.41	(1,183,013.41)		(1,183,013.41)	
Total Construction Management	<u>3,256,000.00</u>		<u>4,583,013.41</u>				<u>(1,327,013.41)</u>

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<u>ARCHITECTURE/ENGINEERING</u>							
Ricci Green Architects, P.C.		3,799,000.00	4,843,273.93	(1,044,273.93)		(1,044,273.93)	
D'Huy Engineering, Inc.			22,216.74				
Total Architecture/Engineering	<u>3,899,000.00</u>		<u>4,865,490.67</u>				<u>(966,490.67)</u>
<u>FURNITURE/MOVING</u>							
Corporate Environments, Inc.			105,147.80				
FroMark, Inc.		962,104.96	933,370.69	28,734.27	145,397.83	174,132.10	
Metro Decorators		469,517.00	486,342.67	(16,825.67)	17,875.67	1,050.00	
O'Brien's Moving & Storage Companies			81,743.42				
Relocation Consulting & Mgt, Inc. (RC&M)			62,400.00				
Total Furniture/Moving	<u>1,650,000.00</u>		<u>1,669,004.58</u>				<u>(19,004.58)</u>
<u>MISCELLANEOUS & CONTINGENCY</u>							
A-1 Restaurant & Janitorial Supply Co.			10,000.00				
ACM Associates, Inc.			8,975.00				
Altchem Environmental Services, Inc.		277,125.00	243,331.58	33,793.42	(33,793.42)	0.00	
Barker Mohondas, LLC			13,564.59				
CDW Government, Inc.			22,668.94				
City of Easton			141,557.00				
Clark Food Service Equipment			6,028.59				

Courthouse Expansion Cost Analysis

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Devlin, Todd Food Equipment			197.59				
ePlus Technology Inc.			110,923.46				
Frick Transfer, Inc.			14,883.74				
The G-S Company		156,647.00	119,144.60	37,502.40	(37,502.40)	0.00	
Hale Trailer Brake & Wheel, Inc.			7,441.74				
Hidden Springs Landscape, Inc.		370,293.30	293,222.78	77,070.52	(49,538.00)	27,532.52	
Keller Consulting Engineers, Inc.			21,160.00				
Norix Group, Inc.			441.20				
Reynolds Business Systems, Inc.			67,243.00				
CMX, Inc.(formerly Schoor Depalma Inc.)			15,109.87				
Service Electric Cable TV, Inc.			5,500.00				
Singer Equipment Company			69,659.74				
Van Cleef Engineering			30,079.07				
Verizon			31,753.45				
Total Miscellaneous & Contingency	<u>1,245,000.00</u>		<u>1,232,885.94</u>				<u>12,114.06</u>
Total Project Cost as of 5/19/08	<u><u>43,000,000.00</u></u>		<u><u>45,083,563.12</u></u>				<u><u>(2,083,563.12)</u></u>

1 - Change orders greater than 10% of Original Contract Amount. See attached management response for explanations.

Anthony Sabino - Re: Report on the Status of the Courthouse Project

From: John Stoffa
To: Steven Desalva
Date: 7/16/2008 1:59 PM
Subject: Re: Report on the Status of the Courthouse Project
CC: Frank Kedi; Karl Longenbach; Stephen Barron

Steve,

JS has reviewed the attachments. Please forward them to the Controller's office.

Thanks,
Caroline (for JS)

>>> Steven Desalva 7/14/2008 6:00 PM >>>

John,

Attached is a succinct update on the Courthouse project(i.e. *Report on Courthouse.doc*). Also, attached is a list of outstanding Courthouse construction items (i.e. *Updated revised 7_13_08 Courthouse Status Report.xls*) and miscellaneous supporting documentation.

As you know, most of the increased cost of the project was the result of the protracted length of the contract, which caused the Construction Management and Engineering fees to balloon excessively. I believe more information on this will be stated by the Controller. As far as the contractor's cost are concern, I note that shortly after the roofing contractor's contract of \$1,479,000.00 was executed, change order no. 1 in the amount of \$657,370.00 was issued. This change order apparently covered a design oversight in the roofing contract.

The miscellaneous iron contractor had a greater than 10% increase in cost, which appeared to be mostly due to change order no. 8 in the amount of \$59,429.00 for additional work. This change order apparently covered a design oversight on the Rotunda. The painting contractor also had its contract costs increased over 10% beyond the original contract amount, but these costs appear to be the result of the natural uncertainty in the scope of work. This does not appear too remarkable for this type of contract. The total cost of change orders for these two contractors only amounted to approximately \$112,000.00, which does not seem to warrant further scrutiny by me. The controller might be interested to know though that many of the encumbrances for the change orders could not be found in the Procurement office, where they should be.

It appears that many factors influenced the time frame of the project, hence the cost of the construction management and engineering. The standard construction tool used to understand construction delays, i.e. CPM*, was not used consistently, fully, or properly. If

used consistently, fully, and properly, all costs and times of construction activities would have been identified. Also, the impact on the total construction schedule and cost as a result of any time delay of any construction activity would have been clearly identified. I could not find any evidence of the CPM being used in this manner. For the record, though, I note that the construction contracts were awarded in a staggered fashion and this may have affected the ability to set up a usable CPM. I note too that the construction manager purposely set up the contracts so that no completion dates were stipulated and the contractors were disallowed any claim for delay. The disallowance of any claim for delay probably save the County significant costs in delay claims, but then provided a disincentive for the contractors to complete their work in a timely fashion, which was probably some of the reason for the protracted construction process. If the CPM had been employed properly, the cause and effect relationship of untimely completion of work by culpable parties would have been identified clearly.

I note that a serious lack of documentation existed on this project on the part of the A/E. For instance, the A/E approved Final Pay Applications for the plumbing and HVAC contractors when significant punchlist items remained to be completed. The A/E made this error unknowingly because they did not have an organized system to document deficient items or to document that all inspections were completed. An organized punchlist system was eventually created by D'Huy Engineering in a software program called Projectmates. Projectmates enable the thorough and clear documentation and tracking of punchlist items, resulting in the discovery of numerous remaining punchlist items. Further, the A/E did not ensure that as-built drawings were being maintained by the contractors, and this omission was important in some of the deficiencies noted on the attached *List of Outstanding Courthouse Construction Items*. Also, it is evident that the onsite inspection by the A/E was substandard, in as much as many deficiencies were missed and these deficiencies were not just the run-of-the-mill punchlist items.

In my opinion another serious deficiency in this project was the absence of the County having one person dedicated as a *Clerk of the Works* to ride herd over the A/E and Construction Manager. The financial documentation provided by the construction manager was useful, but the documentation relative to the facts of the construction process and inspection was lacking by the A/E. Also, I believe that having 19 prime contractors on the site without an operable CPM, and not having a general contractor with authority to control the coordination of the work of all the contractors, was a recipe for delay and extra cost.

In closing, I note that I am holding an amount of \$25,182.00 of invoices on the A/E, and the A/E has requested another \$54,850.00 to pursue remaining contract discrepancies. I recommend that a meeting be scheduled to discuss the status of the construction project to determine an appropriate course of legal action if necessary. I recommend that, at the least, Karl, you, me, Jamie, and Don be at this meeting. Thanks. Steve

*CPM stands for Critical Path Method, which is a complex depiction of many interrelating work activities. In a CPM, one can see by way of a computer program or visual depiction (very large drawing) exactly how the timing and duration of each work activity influences the timing of other work activities and the project schedule at large.

Stephen Barron and Frank Kedl would appreciate a copy of this report, if you agree to provide

this to them.

Steven W. DeSalva, P.E.
Director of Public Works
Northampton County Courthouse